

ASSEMBLY, No. 2440

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED FEBRUARY 3, 2020

Sponsored by:

Assemblyman DANIEL R. BENSON

District 14 (Mercer and Middlesex)

SYNOPSIS

Indexes for inflation gross income eligibility caps and maximum exclusion amounts for pension and other retirement income under gross income tax.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning inflation and the pension and other retirement
2 income exclusions under the gross income tax, amending
3 N.J.S.54A:6-10 and P.L.1977, c.273
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
7

8 1. N.J.S.54A:6-10 is amended to read as follows:
9 54A:6-10. Pensions and annuities.

10 a. Gross income shall not include that part of any amount
11 received as an annuity under an annuity, endowment, or life
12 insurance contract which bears the same ratio to such amount as the
13 investment in the contract as of the annuity starting date bears to the
14 expected return under the contract as of such date. Where (1) part
15 of the consideration for an annuity, endowment, or life insurance
16 contract is contributed by the employer, and (2) during the three-
17 year period beginning on the date on which an amount is first
18 received under the contract as an annuity, the aggregate amount
19 receivable by the employee under the terms of the contract is equal
20 to or greater than the consideration for the contract contributed by
21 the employee, then all amounts received as an annuity under the
22 contract shall be excluded from gross income until there has been so
23 excluded an amount equal to the consideration for the contract
24 contributed by the employee.

25 b. (1) In addition to that part of any amount received as an
26 annuity which is excludable from gross income as herein provided,
27 gross income shall not include payments:

28 for taxable years beginning before January 1, 2000, of up to
29 \$10,000 for a married couple filing jointly, \$5,000 for a married
30 person filing separately, or \$7,500 for an individual filing as a
31 single taxpayer or an individual determining tax pursuant to
32 subsection a. of N.J.S.54A:2-1;

33 for the taxable year beginning on or after January 1, 2000, but
34 before January 1, 2001, of up to \$12,500 for a married couple filing
35 jointly, \$6,250 for a married person filing separately, or \$9,375 for
36 an individual filing as a single taxpayer or an individual
37 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

38 for the taxable year beginning on or after January 1, 2001, but
39 before January 1, 2002, of up to \$15,000 for a married couple filing
40 jointly, \$7,500 for a married person filing separately, or \$11,250 for
41 an individual filing as a single taxpayer or an individual
42 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

43 for the taxable year beginning on or after January 1, 2002, but
44 before January 1, 2003, of up to \$17,500 for a married couple filing
45 jointly, \$8,750 for a married person filing separately, or \$13,125 for

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 an individual filing as a single taxpayer or an individual
2 determining tax pursuant to subsection a. of N.J.S.54A:2-1;
3 for taxable years beginning on or after January 1, 2003, but
4 before January 1, 2017 of up to \$20,000 for a married couple filing
5 jointly, \$10,000 for a married person filing separately, or \$15,000
6 for an individual filing as a single taxpayer or an individual
7 determining tax pursuant to subsection a. of N.J.S.54A:2-1;
8 for taxable years beginning on or after January 1, 2017, but
9 before January 1, 2018, of up to \$40,000 for a married couple filing
10 jointly, \$20,000 for a married person filing separately, or \$30,000
11 for an individual filing as a single taxpayer or an individual
12 determining tax pursuant to subsection a. of N.J.S.54A:2-1;
13 for taxable years beginning on or after January 1, 2018, but
14 before January 1, 2019, of up to \$60,000 for a married couple filing
15 jointly, \$30,000 for a married person filing separately, or \$45,000
16 for an individual filing as a single taxpayer or an individual
17 determining tax pursuant to subsection a. of N.J.S.54A:2-1;
18 for taxable years beginning on or after January 1, 2019, but
19 before January 1, 2020, of up to \$80,000 for a married couple filing
20 jointly, \$40,000 for a married person filing separately, or \$60,000
21 for an individual filing as a single taxpayer or an individual
22 determining tax pursuant to subsection a. of N.J.S.54A:2-1;
23 for taxable years beginning on or after January 1, 2020, of up to
24 \$100,000 for a married couple filing jointly, \$50,000 for a married
25 person filing separately, or \$75,000 for an individual filing as a
26 single taxpayer or an individual determining tax pursuant to
27 subsection a. of N.J.S.54A:2-1,
28 which are received as an annuity, endowment or life insurance
29 contract, or payments of any such amounts which are received as
30 pension, disability, or retirement benefits, under any public or
31 private plan, whether the consideration therefor is contributed by
32 the employee or employer or both, by any person who is 62 years of
33 age or older or who, by virtue of disability, is or would be eligible
34 to receive payments under the federal Social Security Act.
35 For taxable years beginning on or after January 1, 2021, the
36 director shall annually recompute the amount of the exclusion
37 allowed pursuant to this subsection for the particular taxable year
38 by multiplying the amount of the exclusion allowed for the previous
39 taxable year by the cost-of-living adjustment. Notwithstanding the
40 amount of the exclusion stated hereinabove for taxable years
41 beginning on or after January 1, 2020, a taxpayer shall use the
42 recalculated amount of the exclusion as recomputed by the director
43 for the taxable year. The director shall round the recalculated
44 exclusion amount up to the next highest dollar. As used herein,
45 “cost-of-living adjustment” means the factor calculated by dividing
46 the consumer price index for all urban consumers for the nation, as
47 prepared by the United States Department of Labor as of the close
48 of the 12-month period ending on August 31 of the calendar year

1 prior to the calendar year in which the taxable year begins, by that
2 index as of the close of the 12-month period ending on August 31 of
3 the preceding calendar year.

4 (2) For taxable years beginning on or after January 1, 2005, the
5 exclusion provided by this subsection shall only be allowed if the
6 taxpayer has gross income for the taxable year of not more than
7 \$100,000 ;

8 for taxable years beginning on or after January 1, 2021, the
9 director shall annually recompute the gross income cap for
10 eligibility for the exclusion for the particular taxable year by
11 multiplying the amount of the gross income cap for the previous
12 taxable year by the cost-of-living adjustment. Notwithstanding the
13 \$100,000 gross income cap stated hereinabove for taxable years
14 beginning on or after January 1, 2005, the exclusion provided by
15 this subsection shall be allowed only if the taxpayer has gross
16 income for the taxable year of not more than the amount of the
17 recalculated gross income cap as recomputed by the director. The
18 director shall round the recalculated gross income cap up to the next
19 highest dollar. As used herein, "cost-of-living adjustment" means
20 the factor calculated by dividing the consumer price index for all
21 urban consumers for the nation, as prepared by the United States
22 Department of Labor as of the close of the 12-month period ending
23 on August 31 of the calendar year prior to the calendar year in
24 which the taxable year begins, by that index as of the close of the
25 12-month period ending on August 31 of the preceding calendar
26 year.

27 c. Gross income shall not include any amount received under
28 any public or private plan by reason of a permanent and total
29 disability.

30 d. Gross income shall not include distributions from an
31 employees' trust described in section 401(a) of the Internal Revenue
32 Code of 1986, as amended (hereinafter referred to as "the Code"),
33 which is exempt from tax under section 501(a) of the Code if the
34 distribution, except the portion representing the employees'
35 contributions, is rolled over in accordance with section 402(a)(5) or
36 section 403(a)(4) of the Code. The distribution shall be paid in one
37 or more installments which constitute a lump-sum distribution
38 within the meaning of section 402(e)(4)(A) (determined without
39 reference to subsection (e)(4)(B)), or be on account of a termination
40 of a plan of which the trust is a part or, in the case of a profit-
41 sharing or stock bonus plan, a complete discontinuance of
42 contributions under such plan.

43 (cf: P.L.2016, c.57, s.9)

44
45 2. Section 3 of P.L.1977, c.273 (C.54A:6-15) is amended to
46 read as follows:

47 3. Other retirement income. a. (1) Gross income shall not
48 include income:

1 for taxable years beginning before January 1, 2000, of up to
2 \$10,000 for a married couple filing jointly, \$5,000 for a married
3 person filing separately, or \$7,500 for an individual filing as a
4 single taxpayer or an individual determining tax pursuant to
5 subsection a. of N.J.S.54A:2-1;

6 for the taxable year beginning on or after January 1, 2000, but
7 before January 1, 2001, of up to \$12,500 for a married couple filing
8 jointly, \$6,250 for a married person filing separately, or \$9,375 for
9 an individual filing as a single taxpayer or an individual
10 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

11 for the taxable year beginning on or after January 1, 2001, but
12 before January 1, 2002, of up to \$15,000 for a married couple filing
13 jointly, \$7,500 for a married person filing separately, or \$11,250 for
14 an individual filing as a single taxpayer or an individual
15 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

16 for the taxable year beginning on or after January 1, 2002, but
17 before January 1, 2003, of up to \$17,500 for a married couple filing
18 jointly, \$8,750 for a married person filing separately, or \$13,125 for
19 an individual filing as a single taxpayer or an individual
20 determining tax pursuant to subsection a. of N.J.S.54A:2-1;

21 for taxable years beginning on or after January 1, 2003, but
22 before January 1, 2017, gross income shall not include income of up
23 to \$20,000 for a married couple filing jointly, \$10,000 for a married
24 person filing separately, or \$15,000 for an individual filing as a
25 single taxpayer or an individual determining tax pursuant to
26 subsection a. of N.J.S.54A:2-1;

27 for taxable years beginning on or after January 1, 2017 but
28 before January 1, 2018, gross income shall not include income of up
29 to \$40,000 for a married couple filing jointly, \$20,000 for a married
30 person filing separately, or \$30,000 for an individual filing as a
31 single taxpayer or an individual determining tax pursuant to
32 subsection a. of N.J.S.54A:2-1;

33 for taxable years beginning on or after January 1, 2018, but
34 before January 1, 2019, gross income shall not include income of up
35 to \$60,000 for a married couple filing jointly, \$30,000 for a married
36 person filing separately, or \$45,000 for an individual filing as a
37 single taxpayer or an individual determining tax pursuant to
38 subsection a. of N.J.S.54A:2-1;

39 for taxable years beginning on or after January 1, 2019, but
40 before January 1, 2020, gross income shall not include income of up
41 to \$80,000 for a married couple filing jointly, \$40,000 for a married
42 person filing separately, or \$60,000 for an individual filing as a
43 single taxpayer or an individual determining tax pursuant to
44 subsection a. of N.J.S.54A:2-1;

45 for taxable years beginning on or after January 1, 2020, gross
46 income shall not include income of up to \$100,000 for a married
47 couple filing jointly, \$50,000 for a married person filing separately,
48 or \$75,000 for an individual filing as a single taxpayer or an

1 individual determining tax pursuant to subsection a. of N.J.S.54A:2-
2 1, when received in any tax year by a person aged 62 years or older
3 who received no income in excess of \$3,000 from one or more of
4 the sources enumerated in subsections a., b., k. and p. of
5 N.J.S.54A:5-1.

6 For taxable years beginning on or after January 1, 2021, the
7 director shall annually recompute the amount of the exclusion
8 allowed pursuant to this subsection for the particular taxable year
9 by multiplying the amount of the exclusion allowed for the previous
10 taxable year by the cost-of-living adjustment. Notwithstanding the
11 amount of the exclusion stated hereinabove for taxable years
12 beginning on or after January 1, 2020, a taxpayer shall use the
13 recalculated amount of the exclusion as recomputed by the director
14 for the taxable year. The director shall round the recalculated
15 exclusion amount up to the next highest dollar. As used herein,
16 “cost-of-living adjustment” means the factor calculated by dividing
17 the consumer price index for all urban consumers for the nation, as
18 prepared by the United States Department of Labor as of the close
19 of the 12-month period ending on August 31 of the calendar year
20 prior to the calendar year in which the taxable year begins, by that
21 index as of the close of the 12-month period ending on August 31 of
22 the preceding calendar year.

23 (2) For taxable years beginning on or after January 1, 2005, the
24 exclusion provided by this subsection shall only be allowed if the
25 taxpayer has gross income for the taxable year of not more than
26 \$100,000 ;

27 for taxable years beginning on or after January 1, 2021, the
28 director shall annually recompute the gross income cap for
29 eligibility for the exclusion for the particular taxable year by
30 multiplying the amount of the gross income cap for the previous
31 taxable year by the cost-of-living adjustment. Notwithstanding the
32 \$100,000 gross income cap stated hereinabove for taxable years
33 beginning on or after January 1, 2005, the exclusion provided by
34 this subsection shall be allowed only if the taxpayer has gross
35 income for the taxable year of not more than the amount of the
36 recalculated gross income cap as recomputed by the director. The
37 director shall round the recalculated gross income cap up to the next
38 highest dollar. As used herein, “cost-of-living adjustment” means
39 the factor calculated by dividing the consumer price index for all
40 urban consumers for the nation, as prepared by the United States
41 Department of Labor as of the close of the 12-month period ending
42 on August 31 of the calendar year prior to the calendar year in
43 which the taxable year begins, by that index as of the close of the
44 12-month period ending on August 31 of the preceding calendar
45 year.

46 (3) The total exclusion under this subsection and that allowable
47 under N.J.S.54A:6-10 shall not exceed the amounts of the
48 exclusions set forth in this subsection.

